

ASSESSING AND MANAGING CLIMATE-RELATED FINANCIAL RISKS *A PRACTITIONER'S VIEW*

RISK

14TH MARCH 2017
Eric Vergnaud RISK Anticipation



BNP PARIBAS

The bank for a changing world

- Climate-related risks identified as an emerging risk
 - defined as a new or evolving risk which potential harm or loss could be material in the future but is currently not fully known or is difficult to quantify
- Climate-related risks are drivers of risks identified in bank's risk taxonomy
 - Credit risk
 - Market risk
 - Operational risk
 - Reputational risk
 - Business risk
 - Policy, Legal & Regulatory Risks
- Climate change and energy transition are apprehended differently
 - Climate change (risk on physical assets) largely covered by insurance
 - Energy transition is a focus of concern and as such monitored with dedicated tools (analysis grids, shadow carbon price)



- General approach to risk management applies also to energy transition risk
- Businesses are responsible for their risks
 - CSR teams and correspondents in poles and businesses
- Second line of defense is ensured by functions, in case of energy transition risk
 - Central CSR function
 - Reports directly to a Deputy Chief Operating Officer
 - RISK function
 - Includes CSR correspondents with a focus on energy transition
 - Credit Officers trained on energy transition risks
 - Industry experts in relevant sectors and economists with dedicated tools
 - Integration of energy transition risks in credit and ratings policies



- Energy mixes calculated since 2014 and reported in reference document
 - Objective: measure indirect emissions
 - Electricity mix based on the production of its electricity-generating customers
 - Primary energy mix calculated on the energy resources produced by the extracting companies financed by the Group
 - Mixes are benchmarked against industry averages
 - Mixes are included as CSR metrics with early warning/limit thresholds in the Group's risk appetite statement
- Transversal workgroup (CIB, Group CSR and RISK) mandated to conduct preliminary assessment of energy transition
 - Sectorial impact (consistent methodology to assess impact)
 - Country impact
- Training actions planned with credit analysts on impact of energy transition on clients



- Supporting the energy transition
 - Doubling support for renewable energy
 - Objective of 15bln€ exposure by 2020
 - Limited financing of coal industry (selective approach depending on country)
 - Financing of energy efficiency equipment
 - Asset management
 - Measure of carbon print
 - Alignment of investments with 2°C scenario
- Green bonds
 - BNP Paribas active in green bond market
 - Priced its inaugural EUR 500 million Green Bond in November 2016
 - Net proceeds will be allocated to the financing and/or refinancing, of Eligible Green Assets in the following Eligible Sectors: Renewable energies, Energy Efficiency, Mass and Public transportation, Water Management & Water Treatment, Recycling

